GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:863
ANSWERED ON:22.11.2001
SETTLEMENT OF ENRON ISSUE
DR. KIRIT SOMAIYA;SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of POWER be pleased to state:

(a) whether the Government had decided on September 4 this year for early settlement of the Enron issue;

(b) if so, the steps so far taken in that direction indicating issue-wise details;

(c) the reasons for delay despite further notices slapped by the ENRON;

(d) whether Enron is selling its D.P.C;

(e) if so, the details thereof;

(f) whether formalities of selling off DPC have been completed; and

(g) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : The Power Purchase Agreement (PPA) in regard to the Dabhol powerproject was signed between the Maharashtra State Electricity Board (MSEB) and theDabhol Power Company (DPC), promoted byEnron and others. Government ofMaharashtra (GOM) has conveyed the inability of MSEB to purchase the high cost powerfrom DPC on account of there being not sufficient demand in the State to absorb the entire power from both phases of the plant. The high tariff from the project is a result of more than two fold increase in the prices of naphtha, depreciation of the Indian Rupee against the US dollar and the merit despatch instructions of the Maharashtra State Electricity Regulatory Commission due to which MSEB have been unable tooff-take the power at 90% Plant Load Factor as agreed to with DPC.The financial conditions of MSEB also does not allow it to pay for high cost power on a regular basis. The Government of India (GOI) has agreed to facilitate an amicable solution and hadappointed its nominee on the Negotiating Committee on Dabhol project set up by the Government of Maharashtra. The Central Electricity Authority (CEA) has carried an exercise to identify the States facing deficit of power, who could purchase the surplus power supplied by DPC. Any such arrangement, however, will depend on the tariff being brought down to a level acceptable to the concerned States. The Financial Institutions,who have a major stake in the project, have also prepared a road map with a view to resolve the basic issues relating to the Dabhol project. Any long term settlement of the present issues involving the Dabhol project can only take place with the initiative and consent of the two parties under contract i.e. the DPC and MSEB besides the Government of Maharashtra.

(c) : The primary responsibility for resolving the issues relating to the Dabhol projectlie with the DPC, MSEB and also the Government of Maharashtra. MSEB has rescindedthe PPA on 23.5.2001 and DPC has initiated several legal, arbitration and termination proceedings against MSEB, GOM and GOI. Any settlement of the issues involved willequire willingness of the concerned parties to work towards an agreement.

(d) : Enron have expressed their desire to sell their equity stake in the Dabhol Power Company.

(e) : The details have to be worked out between Enron & their associates and theprospective sponsors of the project with the concurrence of the financial institutions.

(f) : No, Sir.

(g) : Does not arise.